

RECORDATION NO. 13244-1425
SEP 25 1981 - 11 45 AM
INTERSTATE COMMERCE COMMISSION

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SEP 25 1981 - 11 45 AM
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INTERSTATE COMMERCE COMMISSION

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INTERSTATE COMMERCE COMMISSION

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RECORDATION NO. 13244-1425

SEP 25 1981 - 11 45 AM
INTERSTATE COMMERCE COMMISSION

September 24, 1981

Chicago and North Western Transportation Company
Lease Financing Dated as of July 15, 1981
15-1/2% Equipment Trust Certificates
Due February 1, 1992
[CS&M Ref.: 2044-128]

Dear Madam:

Pursuant to 49 U.S.C. § 11303(a), I enclose herewith on behalf of Chicago and North Western Transportation Company for filing and recordation counterparts of the following documents:

1. Reconstruction Agreement dated as of July 15, 1981, between North Western Leasing Company, as Owner, and Chicago and North Western Transportation Company, as Builder.
2. Equipment Trust Agreement dated as of July 15, 1981, between The Connecticut Bank and Trust Company, as Trustee, and North Western Leasing Company, as Owner.
3. (a) Lease of Railroad Equipment dated as of July 15, 1981, between Chicago and North Western Transportation Company, as Lessee, and North Western Leasing Company, as Lessor; and

Covering Proceeds
of Equipment sold
herein

New Number

A

B

C Next Page

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Manhattan - D.E. Wilson 9/25/81

— C (b) Assignment of Lease and Agreement dated as of July 15, 1981, between The Connecticut Bank and Trust Company, as Trustee, and North Western Leasing Company, as Owner.

The names and addresses of the parties to the aforementioned Agreements are as follows:

(1) Trustee:

The Connecticut Bank and Trust Company
One Constitution Plaza
Hartford, Connecticut 06115

(2) Lessee-Builder:

Chicago and North Western
Transportation Company
One North Western Center
165 North Canal Street
Chicago, Illinois 60606

(3) Owner-Lessor:

North Western Leasing Company
One North Western Center
165 North Canal Street
Chicago, Illinois 60606

Please file and record the documents referred to in this letter and index them under the names of the Trustee, the Owner-Lessor and the Lessee-Builder.

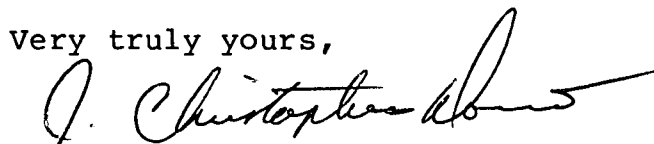
The equipment covered by the aforementioned documents consists of:

38 GP-40 3000 h.p. locomotives bearing identifying numbers CNW 5500-CNW 5537, both inclusive, and also bears the legend "Ownership Subject to a Security Agreement Filed With The Interstate Commerce Commission". ✓

There is also enclosed a check for \$150 payable to the Interstate Commerce Commission, representing the fee for recording the Reconstruction Agreement, the Equipment Trust Agreement and the Lease of Railroad Equipment and related Assignment of Lease and Agreement (together constituting one document).

Please stamp all counterparts of the enclosed documents with your official recording stamp. You will wish to retain one copy of the instruments for your files. It is requested that the remaining counterparts be delivered to the bearer of this letter.

Very truly yours,



J. Christopher Dorian
As Agent for Chicago and
North Western Transportation Company

Agatha L. Mergenovich,
Secretary,
Interstate Commerce Commission,
Washington, D. C. 20423

Encls.

SEP 25 1981 - 11 45 AM

INTERSTATE COMMERCE COMMISSION

[CS&M Ref. 2044-128]

LEASE OF RAILROAD EQUIPMENT

Dated as of July 15, 1981

between

CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY,
Lessee,

and

NORTH WESTERN LEASING COMPANY,
Lessor

[Covering 38 Reconstructed Locomotives]

The rights and interests of the Lessor under this Lease are subject to a security interest in favor of The Connecticut Bank and Trust Company, as Trustee for certain institutional investors. The original of this Lease has been stamped "Original" and is held by said Trustee.

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* This Table of Contents has been included in this document for convenience only and does not form a part of or affect any construction or interpretation of this document.

LEASE OF RAILROAD EQUIPMENT dated as of July 15, 1981, between CHICAGO AND NORTHWESTERN TRANSPORTATION, a Delaware corporation (the "Lessee" or the "Builder") and NORTH WESTERN LEASING COMPANY, a Delaware corporation (the "Lessor" or the "Owner").

WHEREAS the Lessor is entering into a reconstruction agreement (the "Reconstruction Agreement") with the Builder, pursuant to which the Builder has agreed to reconstruct certain units of railroad equipment owned by the Owner and described in Schedule A annexed hereto (the "Equipment"); and

WHEREAS the Owner is entering into an equipment trust agreement dated as of the date hereof (the "Trust Agreement") with The Connecticut Bank and Trust Company (hereinafter, together with its successors and assigns as trustee under the Trust Agreement, called the "Trustee"), pursuant to which equipment trust certificates (the "Trust Certificates") will be sold to finance all or part of the cost of the Equipment, the Owner will be obligated to make payments equal to principal and interest thereon out of the rentals received hereunder and a security interest in the Units will be conveyed to the Trustee until the Owner fulfills all its obligations under the Trust Agreement; and

WHEREAS the Lessee agrees to lease from the Lessor all the units of the Equipment, or such lesser number of units as are delivered and accepted under the Trust Agreement, at the rentals and for the term and upon the conditions hereinafter provided (each such unit being hereinafter called a "Unit"); and

WHEREAS the Lessor, the Lessee, the Trustee and the Purchasers (as defined in the Trust Agreement) are parties to a Participation Agreement dated as of July 15, 1981 (the "Participation Agreement"); and

WHEREAS the Owner will assign this Lease to the Trustee, as security for performance by the Owner of its obligations under the Trust Agreement, pursuant to an Assignment of Lease and Agreement dated as of the date hereof (the "Lease Assignment") and the Lessee will consent to the Lease Assignment pursuant to a Lessee's Consent and Agreement (the "Consent");

NOW, THEREFORE, in consideration of the rentals to be paid and the covenants hereinafter mentioned to be kept and performed by the Lessee, the Lessor hereby leases the Units to the Lessee upon the following terms and conditions.

§ 1. Net Lease. This Lease is a net lease and the Lessee shall not be entitled to any abatement of rent or additional rent, or setoff against or recoupment or reduction of rent or additional rent, including, but not limited to, abatements, setoffs, reductions or recoupments due or alleged to be due by reason of any past, present or future claims or counterclaims of the Lessee against the Lessor under this Lease or the Participation Agreement or otherwise. The Lessee's obligations hereunder, including but not limited to its obligations to pay all rentals, additional rentals and other amounts hereunder, shall be absolute and unconditional under any and all circumstances, and, except as otherwise expressly provided herein, this Lease shall not terminate, nor shall the respective obligations of the Lessor or the Lessee be otherwise affected, by reason of (i) any defect, whether latent or patent, in or damage to or loss of possession or loss of use or destruction of all or any of the Units from whatsoever cause, (ii) any liens, encumbrances or rights of others with respect to any of the Units, (iii) the prohibition of or other restriction against the Lessee's use of all or any of the Units, (iv) the interference with such use by any person, (v) the invalidity or unenforceability or lack of due authorization of this Lease, (vi) any insolvency of, or any bankruptcy, reorganization or similar proceeding against the Lessee, or (vii) any other cause whether similar or dissimilar to the foregoing, whether arising under this Lease, any other Document (as defined in the Participation Agreement) or otherwise, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the rents and other amounts payable by the Lessee hereunder shall continue to be payable in all events in the manner and at the times herein provided unless the obligation to pay the same shall be terminated pursuant to the express provisions of this Lease. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender the lease of any of the Units except in accordance with the express terms hereof. Each rental or other payment made by the Lessee hereunder shall be final and the Lessee shall

not seek to recover all or any part of such payment from the Lessor for any reason whatsoever except as to the amount of any payment paid by the Lessee which is in excess of the amount required to be paid by the Lessee pursuant to the provisions of this Lease.

§ 2. Delivery and Acceptance of Units. Each delivery of a Unit to the Trustee under the Trust Agreement shall be deemed to be a delivery to the Lessee under this Lease at the point or points within the United States of America at which such Unit is delivered to the Trustee under the Trust Agreement. Upon such delivery, the Lessee will cause an employee of the Lessee to inspect the same and, if such Unit is found to be acceptable, to accept delivery of such Unit and execute and deliver to the Lessor a certificate of inspection and acceptance (the "Certificate of Inspection and Acceptance") substantially in the form annexed hereto as Schedule B, whereupon, except as provided in the next sentence hereof, such Unit shall be deemed to have been delivered to and accepted by the Lessee hereunder and shall be subject thereafter to all the terms and conditions of this Lease. The delivery, inspection and acceptance hereunder of any Unit of Equipment excluded from the Trust Agreement pursuant to Section 4.01 thereof shall be null and void and ineffective to subject such Unit to this Lease or to constitute acceptance thereof on behalf of the Lessor for any purpose whatsoever. Upon the acceptance of all Units to be subject to this Lease, Lessor and Lessee will enter into an amendment to this Lease setting forth the specific identifying numbers of the Units if this Lease shall not set forth the same.

§ 3. Rentals. (a) The Lessee agrees to pay to the Lessor, as rental for each Unit, one interim rental payment and 20 consecutive semiannual rental payments, in arrears. The interim rental payment is payable on February 1, 1982, and the 20 semiannual rental payments are payable on February 1 and August 1 in each year, commencing August 1, 1982, to and including February 1, 1992 (each of such 21 consecutive dates being hereinafter called a "Rental Payment Date"). Each semiannual rental payment shall be in an amount equal to the product of the Purchase Price (as defined in the Trust Agreement) of each Unit then subject to this Lease and the percentage set forth in Schedule C annexed hereto opposite each Rental Payment Date. The interim rental payment shall be in an amount equal to .0425% of the Purchase

Price of each Unit subject to this Lease on the date of such payment for each day elapsed from the Closing Date for each such Unit to and including February 1, 1982. The Lessee also agrees to pay to the Lessor, as rental for each Unit subject to this Lease, the amount, if any, required to enable the Lessor to make the payments required by Sections 5.03(a) and (c) of the Trust Agreement.

(b) If any of the Rental Payment Dates referred to above is not a business day, the rental payment otherwise payable on such date shall be payable on the next business day succeeding such date. The term "business day" as used herein means a calendar day, excluding Saturdays, Sundays and any other day on which banking institutions in Chicago, Illinois, or Hartford, Connecticut, are authorized or obligated to remain closed.

(c) The Lessor irrevocably instructs the Lessee to make all the payments provided for in this Lease, including, but not limited to, the payments provided for in this § 3 and in § 7 hereof at the principal office of the Trustee, for the account of the Lessor in care of the Trustee, with instructions to the Trustee first, to apply such payments to satisfy the obligations of the Lessor under the Trust Agreement, and second, so long as no event of default or event which with the lapse of time and/or demand provided for in the Trust Agreement could constitute an event of default under the Trust Agreement shall have occurred and be continuing, to pay any balance promptly to the Lessor at such place as the Lessor shall specify in writing. The Lessee agrees to make each payment provided for herein as contemplated by this paragraph in Federal or other funds immediately available to the Trustee by 11 a.m., Eastern time, on the date such payment is due.

§ 4. Term of Lease. The term of this Lease as to each Unit shall begin on the date of delivery and acceptance of such Unit hereunder and, subject to the provisions of §§ 7 and 10 hereof, shall terminate on the final Rental Payment Date. The obligations of the Lessee hereunder (including, but not limited to, the obligations under §§ 3, 6, 7, 9 and 13 hereof) shall survive the expiration or termination of the term of this Lease and the full payment of all amounts payable under this Lease.

Notwithstanding anything to the contrary contained herein, all rights and obligations of the Lessee under this Lease and in and to the Units are subject to the rights of the Trustee under the Trust Agreement. If an Event of Default should occur under the Trust Agreement, the Trustee may terminate this Lease (or rescind its termination), all as provided therein.

§ 5. Identification Marks. The Lessee will cause each Unit to be kept numbered with the identification number set forth in Schedule A hereto, and will keep and maintain plainly, distinctly, permanently and conspicuously marked on each side of each Unit, in letters not less than one inch in height, the words "OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED WITH THE INTERSTATE COMMERCE COMMISSION", with appropriate changes thereof as from time to time may be required by law, in the opinion of the Trustee and the Lessor, in order to protect the Lessor's and the Trustee's title to and interest in such Unit and the rights of the Lessor under this Lease and the rights of the Trustee under the Trust Agreement. The Lessee will not place any such Unit in operation or exercise any control or dominion over the same until such words shall have been so marked and will replace promptly any such markings which may be removed, defaced, obliterated or destroyed. The Lessee will not change the identification number of any Unit unless and until (i) a statement of new number or numbers to be substituted therefor shall have been filed with the Trustee and the Lessor and duly filed and deposited by the Lessee in all public offices where this Lease and the Trust Agreement shall have been filed and deposited, and all required publications, if any, made; and (ii) the Lessee shall have furnished the Trustee and the Lessor an opinion of counsel to the effect that such statement has been so filed, deposited and published, that such filing, deposit and publication will protect the Trustee's and the Lessor's rights in such Units and that no other filing, deposit, publication or giving of notice with or to any Federal, state or local government or agency thereof is necessary to protect the rights of the Trustee and the Lessor in such Units.

Except as provided in the immediately preceding paragraph, the Lessee will not allow the name of any person, association or corporation to be placed on any Unit as a designation that might be interpreted as a claim of ownership; provided, however, that the Units may be lettered with the names, initials or other insignia customarily used by the Lessee or its affiliates.

§ 6. Taxes. (a) All payments to be made by the Lessee hereunder will be free of expense to the Lessor and its assignees (including the Trustee) from collection or other charges and will be free of expense to the Lessor and its assignees (including the Trustee) with respect to the amount of any Impositions (as hereinafter defined), all of which charges and Impositions the Lessee assumes and agrees to pay on demand in addition to the other payments to be made by the Lessee hereunder. The term "Impositions" means all Federal, state, local or foreign taxes, license fees, assessments and documentary stamp taxes, and any charges, fines or penalties in connection therewith, now or hereafter levied or imposed upon or in connection with or measured by any Unit or this Lease or any rentals or other sums payable hereunder, or any sale, rental, possession, use, shipment, delivery, nondelivery, rejection, transfer of title, return or other disposition of the Equipment or any interest therein, under the terms of the Participation Agreement, the Lease Assignment, this Agreement or the Trust Agreement, except: (i) any tax of the United States of America imposed on or measured by net income or excess profits (other than the net income or excess profits of the Lessee), or any value added or gross receipts tax imposed in lieu of such tax; (ii) any state franchise tax which is not based on or measured by net income; (iii) any taxes of a state or political subdivision thereof computed other than on net income and imposed in substitution for any tax referred to in clause (ii) above; and (iv) any foreign income tax to the extent that the recipient of any payments made hereunder shall receive credit therefor against its United States Federal income tax liability; but including such of the foregoing as are levied or imposed in substitution for, or relieve Lessee from the payment of, such taxes, fees, assessments, charges, fines or penalties which it would otherwise be obligated to pay or reimburse as provided in this § 6. The Lessee will also pay promptly all Impositions which may be imposed upon any Unit or for the use or operation thereof or upon the receipts or earnings arising therefrom, and will keep at all times all and every part of such Unit free and clear of all Impositions which might in any way affect the title of the Lessor or the interest of the Lessor or result in a lien upon any such Unit; provided, however, that the Lessee shall be under no obligation to pay any Imposition of any kind so long as such Imposition remains unpaid and the Lessee shall be contesting in good faith such Imposition in its own name and by appropriate legal or administrative proceedings, or the Lessor shall be required

to contest such Impositions as provided in this § 6, and the nonpayment thereof, in the reasonable opinion of such party, shall not adversely affect the title, property or rights of the Lessor hereunder or the Lessor or the Trustee under the Trust Agreement. The Lessee shall give such party notice of such contest brought in the Lessee's name within 30 days after institution thereof, and such party will provide such information as may be reasonably requested by the Lessee in furtherance of such contest. If any Imposition shall have been charged or levied against such party directly and paid by such party, the Lessee shall pay such party on presentation of an invoice therefor, if such party shall have been legally liable with respect thereto (as evidenced by an opinion of counsel for such party) or if the Lessee shall have approved the payment thereof, and such party agrees to give the Lessee written notice in a timely manner after it first obtains knowledge of the making of such charge or levy, and agrees to take such other action as may reasonably be requested by the Lessee for the purpose of contesting payment or obtaining refund of all or a portion of such Imposition, as hereinafter provided in this § 6.

In the event that the Lessor shall become obligated to make any payment to the Trustee or otherwise pursuant to any corresponding provision of the Trust Agreement not covered by the foregoing paragraph of this § 6, the Lessee shall pay such additional amounts (which shall also be deemed Impositions hereunder) to the Lessor to fulfill completely its obligations pursuant to said provision; provided, however, that the Lessor shall have contested (if required to do so under this § 6) such impositions in good faith and to the extent permitted under the Trust Agreement.

(b) In the event any returns, statements or reports with respect to Impositions are required to be made, the Lessee will make such returns, statements and reports in such manner as to show the interest of the Lessor and the Trustee in such Units, as shall be satisfactory to the Lessor and the Trustee or, where not so permitted, will notify the Lessor and the Trustee of such requirement and will prepare and deliver such reports to the Lessor and the Trustee within a reasonable period of time prior to the time such reports are to be filed in such manner as shall be satisfactory to the Lessor and the Trustee.

(c) In the event that, with respect to any period during the continuance of this Lease, the Lessee becomes liable for the payment or reimbursement of any Imposition pursuant to this § 6, such liability shall continue, notwithstanding the expiration or termination of this Lease, until all such Impositions are paid or reimbursed by the Lessee.

(d) If claim is made against any indemnified party for any Impositions indemnified against under this § 6, such party shall promptly notify the Lessee. If such claim is made against the Lessor and if reasonably requested by the Lessee in writing and so long as the Lessee is prohibited or impaired from doing so in its own name, the Lessor shall, upon receipt of indemnity satisfactory to it for all costs, expenses, losses, legal and accountants' fees and disbursements, penalties, fines, additions to tax and interest, and at the expense of the Lessee, contest in good faith the validity, applicability or amount of such Impositions by (a) resisting payment thereof if legally permissible, (b) not paying the same except under protest, if protest is necessary and proper, or (c) if payment is made, using reasonable efforts to obtain a refund thereof in appropriate administrative or judicial proceedings, or both. If the Lessor shall obtain a refund of all or any part of such Impositions previously reimbursed by the Lessee in connection with any such contest or an amount representing interest thereon applicable to the amount paid by the Lessee and the period of such payment, the Lessor shall pay to the Lessee the amount of such refund or interest net of expenses, but only if no Event of Default, or event which with notice or lapse of time or both would constitute an Event of Default, shall have occurred and be continuing.

(e) The Lessee shall, whenever reasonably requested by the Lessor, submit to the Lessor copies of returns, statements, reports, billings and remittances, or furnish other evidence satisfactory to such party of the Lessee's performance of its duties under this § 6. The Lessee shall also furnish promptly upon request such data as the Lessor reasonably may require to permit the Lessor's compliance with the requirements of taxing jurisdictions, including data available to the Lessee relating to use of any Unit outside the United States.

(f) The amount which the Lessee shall be required to pay with respect to any Imposition which is subject to

indemnification under this § 6 shall be an amount sufficient to restore the indemnified party to the same net after-tax rate of return, after considering the effect of such payment on its United States Federal income taxes and state and city income taxes or franchise taxes based on net income, that such indemnified party would have been in had such Imposition not been imposed.

(g) The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee or any subsidiary or affiliated corporation of the Lessee of the payment of any installments of principal or interest payable under the Trust Agreement, or a guarantee of any residual value of the Units following the expiration of the term hereof as such term may or may not be renewed.

§ 7. Maintenance; Casualty Occurrences; Insurance. The Lessee at its own expense will maintain and service each Unit (including any parts installed or replacements made to any unit and considered an Addition [as defined in § 9 hereof] hereunder) so that each Unit will remain (a) in good operating order, repair and condition, reasonable wear and tear excepted, (b) in compliance with any and all applicable laws and regulations and (c) at a level of maintenance comparable to that of all other owned or leased equipment of the same character in its fleet.

In the event that any Unit shall be or become worn out, lost, stolen, destroyed or, in the good faith and reasonable opinion of the Lessee, irreparably damaged, from any cause whatsoever, or taken or requisitioned by condemnation or otherwise by the United States Government for a stated period which shall exceed the then remaining term of this Lease or for an indefinite period, but only when such period shall exceed the term hereof, or by any other government or governmental entity resulting in loss of possession by the Lessee for a period of 90 consecutive days (such occurrences being hereinafter called "Casualty Occurrences"), prior to the return of such Unit in the manner set forth in § 13 hereof, the Lessee shall promptly (but in any event within 30 days after the Lessee shall have notice of, or shall have made a determination of, such Casualty Occurrence) and fully notify the Lessor and the Trustee with respect thereto. On the Rental Payment Date next succeeding such notice (the "Casualty Payment Date"), the Lessee shall pay to the Lessor an amount equal to the rental payment or payments in respect of such Unit due and payable on the Casualty Payment Date plus a sum equal to the Casualty Value (as hereinafter defined) of such

Unit as of the Casualty Payment Date. Upon the making of such payment by the Lessee in respect of any Unit, the rental for such Unit shall cease to accrue, the term of this Lease as to such Unit shall terminate and (except in the case of the loss, theft, complete destruction or permanent return to the Builder of such Unit) the Lessor shall be entitled to recover possession of such Unit.

The "Casualty Value" of each Unit as of any Rental Payment Date shall be an amount equal to that percentage of the Purchase Price of such Unit as is set forth in Schedule C hereto opposite such date; provided, however, that the Casualty Value percentages with respect to any Unit will never be less than those percentages required to enable the Lessor to satisfy its obligations to pay or prepay with respect to such Unit the portion of the Trust Certificates allocable thereto and interest thereon.

Whenever any Unit shall suffer a Casualty Occurrence after the final payment of rent in respect thereof is due pursuant to § 3 hereof and before (a) such Unit shall have been returned in the manner provided in § 13 hereof, and (b) the storage period therein provided with respect to such Unit shall have expired, the Lessee shall promptly (as provided above) and fully notify the Lessor with respect thereto and pay to the Lessor an amount equal to the Casualty Value of such Unit, which shall be an amount equal to 20% of the Purchase Price of such Unit. Upon the making of any such payment by the Lessee in respect of any Unit (except in the case of the loss, theft or complete destruction of such Unit) the Lessor shall be entitled to recover possession of such Unit.

In the event of the requisition (other than a requisition which constitutes a Casualty Occurrence) for use by the United States Government or by any other government or governmental entity (hereinafter collectively called the "Government") of any Unit during the term of this Lease, all of the Lessee's obligations (including, without limitation, the obligation to pay rent and other sums hereunder) under this Lease with respect to such Unit shall continue to the same extent as if such requisition had not occurred, except that if such Unit is returned by the Government at any time after the end of the term of this Lease, the Lessee shall be obligated to return such Unit to the Lessor pursuant to § 11 or 13 hereof, as the case may be, promptly upon such return by the Government rather than at the end of the term of this Lease, but the Lessee shall in all other respects comply with the provisions of said § 11 or 13, as

the case may be, with respect to such Unit. All payments received by the Lessor or the Lessee from the Government for the use of such Unit during the term of this Lease shall be paid over to, or retained by, the Lessee, provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing; and all payments received by the Lessor or the Lessee from the Government for the use of such Unit after the term of this Lease shall be paid over to, or retained by, the Lessor.

The Lessor hereby appoints the Lessee its agent to dispose of any Unit suffering a Casualty Occurrence, or any component thereof, at the best price obtainable on an "as is, where is" basis and the Lessee shall notify the Lessor and the Owner prior to any such sale. Provided that the Lessee has previously paid the Casualty Value to the Lessor and provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, the Lessee shall be entitled to the proceeds of such sale to the extent they do not exceed the Casualty Value of such Unit plus the Lessee's out-of-pocket expenses in connection with such sale and shall pay any excess to the Lessor. The Lessee will pay all costs and expenses in connection with the sale of any Unit pursuant to a Casualty Occurrence.

Except as hereinabove in this § 7 provided, the Lessee shall not be released from its obligations hereunder in the event of, and shall bear the risk of, any Casualty Occurrence to any Unit from and after delivery and acceptance thereof by the Lessee hereunder.

The Lessee will, at all times after delivery and acceptance of each Unit and prior to the return of the Equipment to the Lessor, at its own expense, cause to be carried and maintained (and shall furnish to the Lessor and the Trustee a certificate or verification from the Lessee's insurance broker evidencing) property insurance and public liability insurance in respect of the Units at the time subject hereto, in amounts (subject to customary deductibles) and against risks customarily insured against by railroad companies in respect of similar equipment and, in any event, comparable in amounts and against risks customarily insured against by the Lessee from time to time in respect of similar equipment owned by it. Any policies of insurance carried in accordance with this paragraph shall name the

Lessor and the Trustee as additional insureds as their respective interests may appear and shall provide for 30 days prior written notice to the Lessor and the Trustee of any material change or cancelation. If the Lessor shall receive any property insurance proceeds or condemnation payments in respect of a Unit suffering a Casualty Occurrence, the Lessor shall, subject to the Lessee's having made payment of the Casualty Value in respect of such Unit and provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, pay such proceeds or condemnation payments to the Lessee up to an amount equal to the Casualty Value with respect to a Unit paid by the Lessee and any balance of such proceeds or condemnation payments shall remain the property of the Lessor. Provided no Event of Default (or other event which after notice or lapse of time or both would become an Event of Default) shall have occurred and be continuing, all insurance proceeds received by the Lessor from the Lessee's property insurance coverage in respect of any Unit not suffering a Casualty Occurrence shall be paid to the Lessee upon proof satisfactory to the Lessor that any damage to such Unit in respect of which such proceeds were paid has been fully repaired so as to comply with the first paragraph of this Section.

§ 8. Reports and Inspection. On or before April 30 in each year, commencing with the calendar year 1982, the Lessee will furnish to the Lessor and the Trustee (a) an accurate statement (i) setting forth as at the preceding December 31 the amount, description and identifying numbers of all Units then leased hereunder and covered by the Trust Agreement, the amount, description and identifying numbers of all Units that have suffered a Casualty Occurrence during the preceding calendar year or are then undergoing repairs (other than running repairs) or then withdrawn from use pending such repairs (other than running repairs) and such other information regarding the condition and state of repair of the Units as the Lessor or the Trustee may reasonably request and (ii) stating that, in the case of all Units repainted or repaired during the period covered by such statement, the numbers and markings required by § 5 hereof and by the Trust Agreement have been preserved or replaced and (b) a certification or verification of insurance coverage from the Lessee's independent broker stating the amounts of insurance in effect with respect to the Equipment pursuant to § 7 hereof and the amount of deductible. The Lessor, at its sole cost and expense, shall have the right by its agents, to inspect the

Units and the Lessee's records with respect thereto at such reasonable times as the Lessor may request during the continuance of this Lease, but the Lessor shall have no obligation to do so.

The Lessee shall promptly notify the Lessor and the Trustee of (a) any occurrence of an Event of Default or other event which after notice or lapse of time or both would become an Event of Default, specifying such Event of Default and all such events and the nature and status thereof and (b) any material changes or any material proposed changes of which the Lessee has knowledge in its insurance coverage in effect with respect to the Equipment pursuant to § 7 hereof.

§ 9. Disclaimer of Warranties; Compliance with Laws and Rules; Indemnification. THE LESSOR NEITHER MAKES, HAS MADE NOR SHALL BE DEEMED TO MAKE, ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE DESIGN OR CONDITION OF, OR AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, THE UNITS OR ANY COMPONENT DELIVERED TO THE LESSEE HEREUNDER, AND THE LESSOR MAKES NO WARRANTY OF MERCHANTABILITY OR FITNESS OF THE UNITS FOR ANY PARTICULAR PURPOSE OR AS TO TITLE TO THE UNITS OR ANY COMPONENT THEREOF, OR AS TO THE LESSEE'S RIGHT TO QUIET ENJOYMENT THEREOF (EXCEPT AS TO ACTS OF THE LESSOR), OR ANY OTHER REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, WITH RESPECT TO ANY UNIT OR ANY COMPONENT, EITHER UPON DELIVERY THEREOF TO THE LESSEE OR OTHERWISE, it being agreed that all such risks, as between the Lessor and the Lessee, are to be borne by the Lessee. The Lessor shall have no responsibility or liability to the Lessee or any other person with respect to any of the following: (i) any liability, loss or damage caused or alleged to be caused directly or indirectly by any Units or by any inadequacy thereof or deficiency or defect therein or by any other circumstances in connection therewith; (ii) the use, operation or performance of any Units or any risks relating thereto; (iii) any interruption of service, loss of business or anticipated profits or consequential damages; or (iv) the delivery, operation, subleasing, servicing, maintenance, repair, improvement or replacement of any Units. The Lessee's delivery of a Certificate of Inspection and Acceptance shall be conclusive evidence as between the Lessee and the Lessor that the Units described therein are in all the foregoing respects satisfactory to the Lessee, and the Lessee will not assert any claim of any nature whatsoever against the Lessor based on any of the foregoing matters.

The Lessee agrees, for the benefit of the Lessor and the Trustee, at all times to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each Unit) with all applicable laws of the jurisdictions in which operations involving the Units may extend, with the interchange rules of the Association of American Railroads (which term shall include any successor organization thereof), if applicable, and with all lawful rules of the United States Department of Transportation, the Interstate Commerce Commission and any other legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Units, to the extent that such laws and rules affect the title, maintenance, operation or use of the Units (all such laws and rules to such extent being hereinafter called the "Applicable Laws"), and in the event that, prior to the expiration of this Lease or any renewal thereof, the Applicable Laws require any alteration, replacement, addition or modification of or to any part on any Unit, the Lessee will conform therewith at its own expense; provided, however, that the Lessee may, at its own expense, in good faith, contest the validity or application of any Applicable Law in any reasonable manner which does not, in the reasonable opinion of the Lessee, adversely affect the property or rights of the Lessor or the Trustee under this Lease or under the Trust Agreement. The Lessee's obligations under this paragraph subsequent to the expiration of the lease term or the extended term shall be limited solely to maintenance of the Units in accordance with Applicable Laws prior to and as of the date of the expiration of the Lease. The Lessee, at its own cost and expense, may furnish other additions, modifications and improvements, whether or not removable (including, without limitation, any special devices, assemblies or racks at any time attached or affixed to any Unit, the cost of which is not included in the Purchase Price of such Unit and which are not required for the operation or use of such Unit by the Applicable Laws) (collectively "Additions"), to the Units as the Lessee may deem desirable in the proper conduct of its business so long as such Additions shall not be inconsistent with the continuing operation of the Units, shall not diminish the value, utility or condition of the Units below the value, utility and condition thereof immediately prior to the making of such Additions, assuming the Units were then in the condition required to be maintained by the terms of this Lease, and shall not render the Units ineligible for interchange service under the rules of the Association of American Railroads. Title to all Parts (as hereinbelow defined) incor-

porated in or installed as part of the Units shall without further act vest in the Lessor and be subject to a valid first lien under the Trust Agreement in the following cases: (i) such Part is in replacement of or in substitution for, and not in addition to, any Part originally incorporated in or installed as part of a Unit at the time of the acceptance thereof hereunder or any Part in replacement of, or in substitution for, any such original Part; (ii) such Part is required to be incorporated in or installed as part of the Units pursuant to the provisions of the first paragraph of § 7 hereof or the terms of the first sentence of this paragraph; or (iii) such Part cannot be readily removed from the Unit to which it relates without material damage thereto and without diminishing or impairing the value or utility which such Unit shall have had at such time had such alteration or addition not occurred. In all other cases, if no Event of Default, or event which with notice or lapse of time or both would constitute an Event of Default, shall have occurred and be continuing, title to Parts incorporated in or installed as parts of the Units as a result of such alterations, replacements, modifications or additions shall vest in the Lessee and may be removed by the Lessee at any time during the term of this Lease and prior to the renewal thereof and prior to the return of the Units to the Lessor pursuant to § 13 hereof. The term "Part" for the purposes of this paragraph shall be defined to include any appliance, part, instrument, accessory, furnishing or other equipment of any nature which may from time to time be incorporated in or installed as part of any Unit.

The Lessee agrees to pay, and to indemnify, protect and hold harmless the Lessor and the Trustee, in both its individual capacity and as Trustee, from and against, all claims, causes of action, losses, damages, liabilities, expenses (including fees and expenses of attorneys) and costs (including claims, causes of action, losses, damages, liabilities, expenses and costs, both for strict liability in tort, and for negligence, either active or passive, which shall not have occurred because of a wrongful act of such indemnified person) incurred in any manner by or for the account of any of them (i) relating to any Unit, including the construction, purchase, delivery, acceptance, rejection, ownership, sale, leasing, return or storage of any Unit or as a result of the use, maintenance, repair, replacement, operation or condition thereof (whether defects are latent or discoverable by the Lessee or any indemnified party), (ii) by reason or as the result of any act of omission (whether negligent or otherwise) of the Lessee, for itself or as agent or attorney-

in-fact for the Lessor hereunder, or any act or omission of the Lessor or (iii) as a result of claims for patent, trademark or copyright infringements (all of which matters indemnified against pursuant to this sentence are collectively called the "Indemnified Matters"), except for any matter described above caused by any act or omission of the Lessor not related to transactions contemplated by the Documents (as defined in the Participation Agreement) or caused by an act or omission of an indemnified person in violation of the provisions of its Documents. The amount the Lessee shall be required to pay with respect to any Indemnified Matter shall include a payment to the indemnified person sufficient to restore such person to the same position, after considering the effect of such payment on its United States Federal income taxes and state and local income taxes or franchise taxes based on net income, that such indemnified person would have been in had the Indemnified Matter not been incurred. The Lessee shall be obligated under this § 9, irrespective of whether any indemnified person shall also be indemnified with respect to the same matter under any other agreement by any other person, and the indemnified person seeking to enforce its indemnification hereunder may proceed directly against the Lessee under this § 9 without first resorting to any such other rights of indemnification.

The Lessee further agrees to indemnify, protect and hold harmless the Lessor (both individually and in its fiduciary capacity) and Trustee, as a third-party beneficiary hereof, from and against any and all liabilities, claims, costs, charges and expenses, including royalty payments and counsel fees, in any manner imposed upon or accruing against the Trustee or the Lessor because of the use in or about the construction or operation of any of the Units of any article or material specified by the Lessee or of any design, system, process, formula or combination specified by the Lessee.

The Lessee shall not be released from its obligations hereunder in the event of, any damage to or the destruction or loss of any or all of the Units.

The Lessee shall prepare and deliver to the Lessor within a reasonable time prior to the required filing date (or, to the extent permissible, file on behalf of the Lessor or Trustee) any and all reports (other than tax returns, except as otherwise provided in § 6 hereof) to be filed by the Lessor or Trustee with any Federal, state or other regulatory authority by reason of the ownership by

the Lessor or the Trustee of the Units, or the leasing thereof to the Lessee.

None of the indemnities in this § 9 shall be deemed to create any rights of subrogation, from or under any indemnified person, in any insurer or third party against the Lessee or the Lessor therefor, whether because of any claim paid or defense provided for the benefit thereof or otherwise. The foregoing indemnities by the Lessee shall not constitute a guarantee by the Lessee of the payment of any installments of principal or interest payable under the Trust Agreement or a guarantee of the residual value of the Units. The indemnities contained in this § 9 shall survive the expiration or termination of this Lease and return of the Units as provided in § 13 hereof with respect to all events, facts, conditions or other circumstances occurring or existing prior to such expiration or termination and are expressly made for the benefit of, and shall be enforceable by, any indemnified person.

Upon the payment in full of any indemnities as contained in this § 9 by the Lessee, and provided that no Event of Default (or other event which with lapse of time or notice or both would constitute an Event of Default) shall have occurred and be continuing (i) the Lessee shall be subrogated to any right of such indemnified person (except against another indemnified person) in respect of the matter against which indemnity has been given and (ii) any payments received by such indemnified person from any person (except the Lessee) as a result of any matter with respect to which such indemnified person has been indemnified by the Lessee pursuant to this § 9 shall be paid over to the Lessee to the extent necessary to reimburse the Lessee for indemnification payments previously made in respect of such matter.

§ 10. Default. If, during the continuance of this Lease, one or more of the following events (each such event being herein sometimes called an "Event of Default") shall occur:

(A) default shall be made in payment of any amount provided for in § 3 or § 7 hereof, and such default shall continue for two Business Days;

(B) the Lessee shall make or permit any unauthorized assignment or transfer of this Lease, or any

interest herein, or of the right to possession of the Units, or any thereof, and the Lessee fails to secure a reassignment or retransfer to the Lessee of such Lease, interest or right for more than 30 days after the earlier of (a) receipt of demand in writing from the Lessor, or (b) any executive officer of the Lessee or any other officer of the Lessee having responsibility for financial, accounting or operating matters (a "Lessee Officer") has actual knowledge of such assignment or transfer;

(C) default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Lessee contained herein or in the Consent or in the Participation Agreement, and such default shall continue for more than 30 days after the earlier of (a) notice from the Lessor or the Trustee to the Lessee specifying the default and demanding that the same be remedied or (b) a Lessee Officer has actual knowledge of such default;

(D) a petition for reorganization under Title 11 of the United States Code, as now constituted or as may hereafter be amended, shall be filed by or against the Lessee and, unless such petition shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease and the Consent shall not have been and shall not continue to have been duly assumed in writing, pursuant to a court order or decree, by a trustee or trustees appointed (whether or not subject to ratification) in such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees, within 60 days after such petition shall have been filed and otherwise in accordance with the provisions of 11 U.S.C. § 1168, or any successor provision, as the same may hereafter be amended; or

(E) any other proceeding shall be commenced by or against the Lessee for any relief which includes, or might result in, any modification of the obligations of the Lessee hereunder, under any bankruptcy or

insolvency laws, or laws relating to the relief of debtors, readjustments of indebtedness, reorganizations, arrangements, compositions or extensions (other than a law which does not permit any readjustments of the obligations of the Lessee hereunder or under the Consent), and, unless such proceedings shall have been dismissed, nullified, stayed or otherwise rendered ineffective (but then only so long as such stay shall continue in force or such ineffectiveness shall continue), all the obligations of the Lessee under this Lease and the Consent shall not have been and shall not continue to have been duly assumed in writing pursuant to a court order or decree, by a trustee or trustees or receiver or receivers appointed (whether or not subject to ratification) for the Lessee, or for the property of the Lessee, in connection with any such proceedings in such manner that such obligations shall have the same status as expenses of administration and obligations incurred by such trustee or trustees or receiver or receivers, within 60 days after such proceedings shall have been commenced;

then, in any such case, the Lessor, at its option, may:

(a) proceed by appropriate court action or actions either at law or in equity to enforce performance by the Lessee of the applicable covenants of this Lease or to recover damages for the breach thereof including net after-tax losses of Federal and state income tax benefits to which the Lessor would otherwise be entitled under this Lease; or

(b) by notice in writing to the Lessee terminate this Lease, whereupon all rights of the Lessee to the use of the Units shall absolutely cease and terminate as though this Lease had never been made, but the Lessee shall remain liable as herein provided; and thereupon the Lessor may by its agents, subject to compliance with all mandatory requirements of law, enter upon the premises of the Lessee or other premises where any of the Units may be and take possession of all or any such Units and thenceforth hold, possess, sell, operate, lease to others and enjoy the same free from any right of the Lessee, or its successors or assigns, to use the Units for any purposes whatever and without any duty to account to

the Lessee for such action or inaction or for any proceeds arising therefrom; but the Lessor shall, nevertheless, have a right to recover from the Lessee any and all amounts which under the terms of this Lease may be then due or which may have accrued to the date of such termination (computing the rental for any number of days less than a full rental period by multiplying the rental for such full rental period by a fraction of which the numerator is such number of days and the denominator is the total number of days in such full rental period and also to recover forthwith from the Lessee as damages for loss of the bargain and not as a penalty whichever of the following amounts the Lessor, in its sole discretion, shall specify: (x) a sum, with respect to each Unit, equal to the excess of the present value, at the time of such termination, of the entire unpaid balance of all rental for such Unit which would otherwise have accrued hereunder from the date of such termination to the end of the term of this Lease as to such Unit over, if such Unit shall have been sold, the net proceeds of sale, or, if such Unit shall not have been sold, the then present value of the rental which the Lessor reasonably estimates to be obtainable for the Unit during such period, such present value to be computed in each case on the basis of a 12% per annum discount, compounded semiannually from the respective dates upon which rentals would have been payable hereunder had this Lease not been terminated; or (y) an amount equal to the excess, if any, of the Casualty Value as of the Rental Payment Date on or next preceding the date of termination over the amount the Lessor reasonably estimates to be the sale value of such Unit at such time; provided, however, that in the event the Lessor shall have sold any Unit, the Lessor, in lieu of collecting any amounts payable to the Lessor by the Lessee pursuant to the preceding clauses (x) or (y) of this part (b) with respect to such Unit, may, if it shall so elect, demand that the Lessee pay the Lessor, and the Lessee shall pay to the Lessor on the date of such sale (in addition to the amounts payable pursuant to §§ 6 and 9 hereof) as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the excess, if any, of the Casualty Value for such Unit, as of the Rental Payment Date on or next preceding the date of termination, over the net proceeds of such sale.

In addition, the Lessee shall be liable, except as otherwise provided above, for any and all unpaid amounts due hereunder before, during or after the exercise of any of the foregoing remedies, for all damages and expenses sustained by reason of Lessee's default or any covenant, representation or warranty hereunder other than for the payment of rent, and for all reasonable attorneys' fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of the Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the return of any Unit and in connection with any suit to enforce Lessor's rights hereunder.

The remedies in this Lease provided in favor of the Lessor shall not be deemed exclusive, but shall be cumulative and may be exercised concurrently or consecutively, and shall be in addition to all other remedies in its favor existing at law or in equity. The Lessee hereby waives any mandatory requirements of law, now or hereafter in effect, which might limit or modify the remedies herein provided, to the extent that such waiver is not, at the time in question, prohibited by law. The Lessee hereby waives any and all existing or future claims to any offset against the rental payments due hereunder, and agrees to make such payments regardless of any offset or claim which may be asserted by the Lessee or on its behalf. The Lessee hereby waives any and all claims against the Lessor and the Trustee and their agent or agents for damages of whatever nature in connection with any retaking of any Unit in any reasonable manner. The Lessor and the Lessee agree that the Lessor shall be entitled to all rights (such rights being fundamental to the willingness of the Lessor to enter into this Lease) provided for in 11 U.S.C. § 1168 or any comparable provision of any amendment thereto, or of any other bankruptcy act, so that the Lessor shall have the right to take possession of the Equipment upon an Event of Default under this Lease regardless of whether the Lessee is in reorganization, subject to the provisions of 11 U.S.C. § 1168 or any such comparable provision.

No failure by the Lessor to exercise, and no delay by the Lessor in exercising, any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege by the Lessor preclude any other or further

exercise thereof, or the exercise of any other right, power or privilege.

If the Lessee fails to perform or comply with any agreement, covenant or condition contained in this Lease, and such nonperformance or noncompliance could, with the lapse of time and/or demand or failure to take action, result in an Event of Default under clause (A) or (C) of this § 10, the Lessor may (but shall not be required to), upon notice to the Lessee, itself perform or comply with such agreement, covenant or condition and the amount of the reasonable costs and expenses of the Lessor incurred in connection with such performance or compliance, together with interest on such amounts at the rate of 16-1/2% per annum, or if such rate is not legally enforceable then at the highest legally enforceable rate, shall be payable to the Lessor by the Lessee upon demand. No such performance or compliance by the Lessor shall be deemed a waiver of the rights and remedies of the Lessor against the Lessee hereunder or be deemed to cure a default by the Lessee hereunder.

§ 11. Return of Units upon Default. If this Lease shall terminate pursuant to § 10 hereof, the Lessee shall forthwith deliver possession of the Units to the Lessor. Except as hereinafter provided, each Unit so delivered shall be in the condition required by the first sentence of § 7 hereof. For the purpose of delivering possession, the Lessee shall:

(a) forthwith and in the usual manner (including, but not by way of limitation, giving prompt telegraphic and written notice to the Association of American Railroads and all railroads to which any Unit or Units have been interchanged or which may have possession thereof to return the Unit or Units) place such Units upon such storage tracks of the Lessee or any of its affiliates as the Lessor reasonably may designate;

(b) permit the Lessor to store such Units on such tracks at the risk of the Lessee without charge for insurance (which shall conform to the provisions of § 7 hereof), rent or storage until such Units have been sold, leased or otherwise disposed of by the Lessor but in no event later than the later of (i) 30 days after the payment in full of all indebtedness and other sums due under the Trust Agreement, and (ii) a

storage period of 120 days following notification by the Lessee to the Lessor that 75% of the Units have been delivered for storage (or with respect to any Unit not delivered at the time of such notification, 120 days following notification from the Lessee to the Lessor that such Unit has been delivered for storage); and

(c) transport the same to any reasonable place, without charge (i) on the lines of railroad operated by the Lessee or any of its affiliates, or (ii) for interchange to any connecting carrier for shipment, all as directed by the Lessor.

The assembling, delivery, storage, insurance and transporting of the Units as hereinbefore provided shall be at the expense and risk of the Lessee and are of the essence of this Lease, and, upon application to any court of equity having jurisdiction, the Lessor shall be entitled to a decree against the Lessee requiring specific performance of the covenants of the Lessee so to assemble, deliver, store and transport the Units. During any storage period, the Lessee will, at its own expense, maintain and keep the Equipment in the condition required by the first sentence of § 7 hereof and will permit the Lessor or any person designated by it, including the authorized representative or representatives of any prospective purchaser, lessee or user of any such Unit, to inspect the same. Anything to the contrary contained in this § 11 notwithstanding, the Lessee shall have no obligation under clause (b) or clause (c) of the first sentence of § 7 hereof after the later of (i) the payment in full of all indebtedness and all other sums due under the Trust Agreement and (ii) the earlier of the Lessor's disposition of the Units and the scheduled date of expiration of any term of this Lease. At the request, expense and risk of the Lessor, the Lessee will continue to store any Unit beyond the storage period determined pursuant to clause (b) of this § 11, but such storage shall be at the risk and expense of the Lessor. All rent and per diem charges earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor.

Without in any way limiting the foregoing obligations of the Lessee under this § 11, the Lessee hereby irrevocably appoints the Lessor as the agent and attorney-in-fact of the Lessee, with full power and authority, at

any time while the Lessee is obligated to deliver possession of any Unit to the Lessor, to demand and take possession of such Unit in the name and on behalf of the Lessee from whomsoever shall be in possession of such Unit at the time.

§ 12. Assignment; Possession and Use; Liens.

This Lease shall be assignable in whole or in part by the Lessor without the consent of the Lessee, but the Lessee shall be under no obligation to any assignee of the Lessor except upon written notice of such assignment from the Lessor. All the rights of the Lessor hereunder shall inure to the benefit of the Lessor's successors and assigns.

So long as no Event of Default exists hereunder or under the Trust Agreement, the Lessee shall be entitled to the possession and use of the Units in accordance with the terms of this Lease and, without the prior written consent of the Lessor and the Trustee, the Lessee may sublease (which sublease by its terms shall be subject to the rights and remedies of the Lessor and the Trustee hereunder) the Units to, or permit their use by, a user incorporated in the United States of America (or any State thereof or the District of Columbia), upon lines of railroad owned or operated by the Lessee or such user or by a railroad company or companies incorporated in the United States of America (or any State thereof or the District of Columbia), or over which the Lessee, such user, or such railroad company or companies have trackage rights or rights for operation of their trains or over which their equipment is regularly operated pursuant to contract, and upon the lines of railroad of connecting and other carriers in the usual interchange of traffic or in through or run-through service, but only upon and subject to all the terms and conditions of this Lease; provided, however, that the Trustee's and the Lessor's consent, not to be unreasonably withheld, must be obtained for any sublease that, taken together with all renewal terms provided for therein, would be longer than six months; provided further, however, that the Lessee shall not sublease or permit the sublease or use of any Unit to service involving operation or maintenance outside the United States of America except that occasional service in Canada shall be permitted so long as such service in Canada does not involve regular operation and maintenance outside the United States of America; provided further, however, that no such sublease shall be permitted without the prior written consent of the Lessor and the Trustee if, at the time of entering into or renewing such sublease, there has been a material adverse change in the properties,

business or condition (financial or otherwise) of the Lessee from December 31, 1980. No such assignment or sublease shall relieve the Lessee of its obligations hereunder which shall be and remain those of a principal and not a surety.

Nothing in this § 12 shall be deemed to restrict the right of the Lessee to assign or transfer its leasehold interest under this Lease in the Units or possession of the Units to any railroad corporation incorporated under the laws of the United States of America or any state thereof or the District of Columbia (which shall have duly assumed the obligations of the Lessee hereunder) into or with which the Lessee shall have become merged or consolidated or which shall have acquired or leased all or substantially all the lines of railroad of the Lessee; provided, however, that such assignee, lessee or transferee will not, upon the effectiveness of such merger, consolidation, lease or acquisition be in default under any provision of this Lease and that such acquisition or lease of railroad lines of the Lessee shall not alter in any way the Lessee's obligation to the Lessor and Trustee hereunder which shall be and remain those of a principal and not a surety; and provided further, however, that the net worth of such assignee, lessee or transferee immediately after such merger, consolidation, lease or acquisition, shall not be less than that of Lessee immediately before such merger, consolidation, lease or acquisition. The consent of Lessor and the Trustee must be obtained for any other assignment or transfer by Lessee, and any such assignment or transfer made without such consent shall be void. No such other assignment or transfer by Lessee shall relieve Lessee of its obligations hereunder, which shall be and remain those of a principal and not a surety. Any foreclosure by a secured party on the rights of the Lessee, as lessee, under the Lease in and to the Equipment shall be an unauthorized assignment or transfer of the Lease for purposes of § 10(B) hereof.

The Lessee, at its own expense, will pay, or satisfy and discharge: (i) any claim arising against, through or under the Lessee and its successors and assigns which, if unpaid, might constitute or become a lien, charge, security interest or other encumbrance upon or with respect to any Unit (unless otherwise expressly permitted by this Lease); (ii) any lien, charge or other encumbrance which may be levied against or imposed upon any Unit as a result of the failure of the Lessee to perform or observe any of its covenants under this Lease; and (iii) any other lien, charge or other encumbrance which arises by virtue of

claims against, through or under any party other than the Lessor (except any such claim caused by the negligence of the Lessor) or the Trustee. Such obligations shall survive the expiration or earlier termination of this Lease and the return of the Units as to all such claims, liens, charges, security interests, or other encumbrances arising prior to such expiration or termination and return. The foregoing covenant, however, will not be breached by reason of liens for taxes, assessments or governmental charges or levies, in each case not due and delinquent, or undetermined or inchoate materialmen's, mechanics', workmen's, repairmen's or other like liens arising in the ordinary course of business and, in each case, not delinquent. The Lessee, however, shall be under no obligation to discharge any such lien, charge, security interest or other encumbrance so long as it shall be contesting the same in good faith and by appropriate legal proceedings, and the failure to discharge the same shall not, in the opinion of the Lessor or the Trustee, as the case may be, adversely affect the title, property or rights of the Lessor hereunder or of the Trustee under the Trust Agreement and the Lease Assignment.

§ 13. Return of Units upon Expiration of Term.

As soon as practicable on or after the expiration of the original or the extended term of this Lease with respect to any Unit, the Lessee will, at its own cost, expense and risk, and at the request of the Lessor, deliver possession of such Unit, if not purchased by the Lessee, to the Lessor upon such storage tracks of the Lessee as the Lessee may reasonably designate in such city on the lines of the Lessee at any reasonable place east of the Missouri River, as the Lessor may reasonably designate, or, in the absence of such designation, as the Lessee may reasonably select, and permit the Lessor to store such Unit on such tracks for a period not exceeding 60 days following notification to the Lessor by the Lessee that 75% of the Units have been assembled and delivered for storage (or, with respect to any Unit not delivered at the time of such notification, 60 days following notification from the Lessee to the Lessor that such Unit has been delivered for storage) and transport the same, at any time within such 60-day period, to any reasonable place east of the Missouri River, on the lines of railroad operated by the Lessee, or to any connecting carrier for shipment, all as mutually agreed upon by the Lessor and the Lessee (except that the Lessor may require that no more than 19 Units be transported as provided herein, during any 30-day period), the movement and storage of such Units to be at the expense and risk of the Lessee

(which shall during such period maintain the insurance required by § 7 hereof); and in the event that any Unit shall suffer a Casualty Occurrence during such storage period, the Lessee shall pay the Lessor the Casualty Value thereof as provided in § 7 hereof. During any such storage period the Lessee will permit the Lessor or any person designated by it, including the authorized representatives of any prospective purchaser, lessee or user of such Unit, to inspect the same; provided, however, that the Lessee shall not be liable, except in the case of negligence or strict liability of the Lessee or of its employees or agents, for any injury to, or the death of, any person exercising, on behalf of either the Lessor or any prospective purchaser, lessee or user, such rights of inspection. Except as hereinafter provided in this § 13, each Unit returned to the Lessor pursuant to this § 13 shall (except for additions, modifications and improvements which the Lessee is entitled to remove and does remove pursuant to § 9 hereof) be in the condition required by the first sentence of § 7 hereof. The assembling, delivery, storage and transporting of the Units as hereinbefore provided are of the essence of this Lease, and, upon application to any court of equity having jurisdiction in the premises, the Lessor shall be entitled to a decree against the Lessee requiring specific performance thereof. During any storage period, the Lessee will, at its own expense, maintain and keep the Units (except for additions, modifications and improvements which the Lessee is entitled to remove and does remove pursuant to § 9 hereof) in the condition required by the first sentence of § 7 hereof. Notwithstanding anything to the contrary contained in this § 13, (i) the Lessee shall have no obligation under clause (b) of the first sentence of § 7 hereof to comply with any provision of any law or regulation which becomes effective after expiration of the term of this Lease and (ii) the Lessee shall have no obligation under clause (c) of the first sentence of § 7 hereof with respect to any Unit after the later of (x) expiration of the term of this Lease and (y) delivery of a Unit into storage as provided above. All rent and per diem charges earned in respect of the Units after the date of termination of this Lease shall belong to the Lessor and, if received by the Lessee, shall be promptly turned over to the Lessor. In addition, for each day, after termination of this Lease and prior to delivery of a Unit into storage as provided above, that such Unit is located on lines of railroad operated by the Lessee, the Lessee shall pay to the Lessor the per diem rental for such Unit prescribed by the Interstate Commerce Commission; provided, however, that no payment shall

be required with respect to any Unit for the first 30 days on which such Unit is located on lines of railroad operated by the Lessee.

§ 14. Recording. The Lessee, at its own expense, will cause this Lease, the Trust Agreement and any assignment hereof or thereof to be filed in accordance with 49 U.S.C. § 11303 and deposited with the Registrar General of Canada (and notice of such deposit to be given forthwith in The Canada Gazette) pursuant to Section 86 of the Railway Act of Canada. The Lessee will undertake the filing, registering, deposit, and recording required of the Lessor under the Trust Agreement and will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, record (and will refile, reregister, deposit and redeposit or rerecord whenever required) any and all further instruments required by law or reasonably requested by the Lessor or the Trustee for the purpose of proper protection, to their satisfaction, of the Trustee's and the Lessor's respective rights in the Units, or for the purpose of carrying out the intention of this Lease, the Trust Agreement and the assignments hereof and thereof to the Trustee; and the Lessee will promptly furnish to the Trustee and the Lessor evidence of all such filing, registering, depositing, recording and other acts which may be required under this § 14, and an opinion or opinions of counsel for the Lessee with respect thereto satisfactory to the Trustee and the Lessor. This Lease and the Trust Agreement, and the assignments thereof, shall be filed with the Interstate Commerce Commission and deposited with the Registrar General of Canada pursuant to Section 86 of the Railway Act of Canada and provision shall be made for publication of notice of such deposit in The Canada Gazette prior to the delivery and acceptance hereunder of any Unit.

§ 15. Interest on Overdue Rentals. Anything to the contrary herein contained notwithstanding, any nonpayment of rentals and other obligations due hereunder shall result in the obligation on the part of the Lessee promptly to pay, to the extent legally enforceable, an amount on the overdue rentals and other obligations for the period of time during which they are overdue at a rate of 16-1/2% per annum, or, if such rate is not legally enforceable, then at the highest legally enforceable rate. Except as otherwise expressly provided herein, interest hereunder shall be determined on the basis of a 360-day year of 12 30-day months.

§ 16. Notices. Any notice required or permitted to be given by either party hereto to the other shall be

deemed to have been given when mailed, by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

(a) if to the Lessor, at One North Western Center, 165 N. Canal Street, Chicago, Illinois 60606, Attention of Assistant Vice President-Finance; and

(b) if to the Lessee, at One North Western Center, 165 N. Canal Street, Chicago, Illinois 60606, Attention of Assistant Vice President-Finance;

or addressed to either party at such other address as such party shall hereafter furnish to the other party in writing. Copies of each such notice shall be given to the Trustee at One Constitution Plaza, Hartford, Connecticut 06115, Attention of Corporate Trust Department.

§ 17. Severability; Effect and Modification of Lease; Third-Party Beneficiaries. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Except for the Participation Agreement and the exhibits thereto, this Lease exclusively and completely states the rights of the Lessor and the Lessee with respect to the leasing of the Units and supersedes all other agreements, oral or written, with respect thereto. No variation or modification of this Lease and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized signatories for the Lessor, the Trustee and the Lessee.

Nothing in this Lease shall be deemed to create any right in any person not a party hereto (other than the Purchasers), and this instrument shall not be construed in any respect to be a contract in whole or in part for the benefit of a third party except as aforesaid.

§ 18. Definitions. If and so long as this Lease is assigned to the Trustee (or any successor thereto) for collateral purposes, wherever the term "Lessor" is used in this Lease it shall include the Trustee and any successors

thereto unless the context shall otherwise require and except that the Trustee shall not be subject to any liabilities or obligations under this Lease; and the fact that the Trustee is specifically named in certain provisions shall not be construed to mean that the Trustee (or any successor thereto) is not entitled to the benefits of other provisions where only the Lessor is named.

§ 19. Execution. This Lease may be executed in several counterparts, such counterparts together constituting but one and the same instrument, but the counterpart delivered to the Trustee shall be deemed to be the original and all other counterparts shall be deemed duplicates thereof. It shall not be necessary that any counterpart be signed by both the parties hereto so long as each party hereto shall have executed and delivered one counterpart hereof. Although for convenience this Lease is dated as of the date first set forth above, the actual date or dates of execution hereof by the parties hereto is or are, respectively, the date or dates stated in the acknowledgments hereto annexed.

§ 20. Law Governing. The terms of this Lease and all rights and obligations hereunder shall be governed by the laws of the State of Illinois; provided, however, that the parties shall be entitled to all rights conferred by 49 U.S.C. § 11303 and such additional rights arising out of the filing or deposit hereof, if any, and of any assignment hereof as shall be conferred by the laws of the several jurisdictions in which this Lease or any assignment hereof shall be filed or deposited.

IN WITNESS WHEREOF, the parties hereto have executed or caused this instrument to be executed as of the date first above written.

CHICAGO AND NORTH WESTERN
TRANSPORTATION COMPANY,

by

Thomas A. Trujillo
Vice President - Finance

[Corporate Seal]

Attest:

Jean A. Schramm

ASSISTANT SECRETARY

NORTH WESTERN LEASING COMPANY,

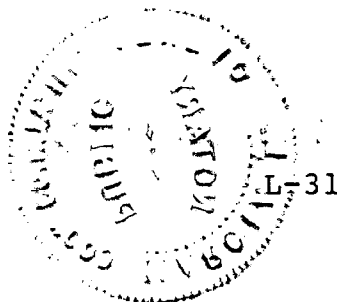
by

Thomas A. Tingle
Vice President

[Corporate Seal]

Attest:

Joan A. Schramm
ASSISTANT SECRETARY



STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this 23rd day of Sept 1981, before me personally appeared Tom Sengleff, to me personally known, who, being by me duly sworn, says that he is a Vice President of CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

[Notarial Seal]

Marcia L. Bovenzo
Notary Public

My Commission Expires
September 7, 1983

STATE OF ILLINOIS,)
) ss.:
COUNTY OF COOK,)

On this 23rd day of Sept 1981, before me personally appeared Tom Sengleff, to me personally known, who, being by me duly sworn, says that he is a Vice President of NORTH WESTERN LEASING COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, and that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors, and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

[Notarial Seal]

Marcia L. Bovenzo
Notary Public

My Commission Expires
September 7, 1983

SCHEDULE A

Description of the Equipment

<u>Type</u>	<u>Quantity</u>	<u>Lessee's Identification Numbers (Both Inclusive)</u>
GP-40 3000 h.p. Locomotives	38	CNW 5500-5537

SCHEDULE B

Certificate of Inspection and Acceptance

To: North Western Leasing Company, (the "Lessor")
Chicago and North Western Leasing Company (the "Lessee")
The Connecticut Bank and Trust Company, as Trustee (the
"Trustee").

I, the duly authorized representative (i) for the Lessee under the Lease of Railroad Equipment dated as of July 15, 1981, between the Lessor and the Lessee (ii) for the Lessor under the Reconstruction Agreement dated as of July 15, 1981, between the Lessor, as owner, and the Lessee, as builder, and (iii) for the Trustee under the Equipment Trust Agreement dated as of July 15, 1981, between the Lessor, as owner, and the Trustee, DO HEREBY CERTIFY that the following Units of Equipment have been inspected and I have accepted delivery of such Units under the aforesaid Lease, Reconstruction Agreement and Equipment Trust Agreement:

TYPE OF EQUIPMENT: GP-40 3000 h.p. Locomotives
DATE ACCEPTED:
NUMBER OF UNITS:
LESSEE'S ROAD NUMBERS:

I do further certify that the foregoing Units are in good order and condition, and appear to conform to the specifications, requirements and standards applicable thereto as provided in the aforesaid Lease, Reconstruction Agreement and Equipment Trust Agreement.

I do further certify that each of the foregoing Units has been marked by means of a stencil printed in contrasting colors upon each side of each such Unit in letters not less than one inch in height as follows:

"OWNERSHIP SUBJECT TO A SECURITY AGREEMENT FILED
WITH THE INTERSTATE COMMERCE COMMISSION"

SCHEDULE C

Schedule of Rental Payments

<u>Rental Payment Date</u>	<u>Percentage</u>
August 1, 1982	7.750%
February 1, 1983	17.750
August 1, 1983	6.975
February 1, 1984	16.975
August 1, 1984	6.200
February 1, 1985	16.200
August 1, 1985	5.425
February 1, 1986	15.425
August 1, 1986	4.650
February 1, 1987	14.650
August 1, 1987	3.875
February 1, 1988	13.875
August 1, 1988	3.100
February 1, 1989	13.100
August 1, 1989	2.325
February 1, 1990	12.325
August 1, 1990	1.550
February 1, 1991	11.550
August 1, 1991	0.775
February 1, 1992	10.775

SCHEDULE D

Casualty Value Percentage Schedule

<u>Rental Payment Date</u>	<u>Percentage of Purchase Price*</u>
February 1, 1982	100%
August 1, 1982	100
February 1, 1983	90
August 1, 1983	90
February 1, 1984	80
August 1, 1984	80
February 1, 1985	70
August 1, 1985	70
February 1, 1986	60
August 1, 1986	60
February 1, 1987	50
August 1, 1987	50
February 1, 1988	40
August 1, 1988	40
February 1, 1989	30
August 1, 1989	30
February 1, 1990	20
August 1, 1990	20
February 1, 1991	10
August 1, 1991	10
February 1, 1992	0

* As defined in the Trust Agreement.